



**AGRICULTURE AND FOOD DEVELOPMENT AUTHORITY**

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## **Cereals, Beef and Sheep Outlook 2013**



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Teagasc

Outlook 2013

10<sup>th</sup> December 2012



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# Overview

- **Cereals**
  - Winter Wheat
  - Spring Barley
- **Beef**
  - Single Suckling
  - Cattle Finishing
- **Sheep**
  - Mid-season Lowland Lamb
- **2012 Estimates**
- **2013 Forecasts**
  - Costs of Production
  - Gross Output
- **All figures presented on a per hectare basis**
- **Fuller detail in accompanying papers**

Available at [www.agresearch.teagasc.ie/lerc/](http://www.agresearch.teagasc.ie/lerc/)



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# Cereals enterprises

Total Production Costs  
2011, 2012 and 2013



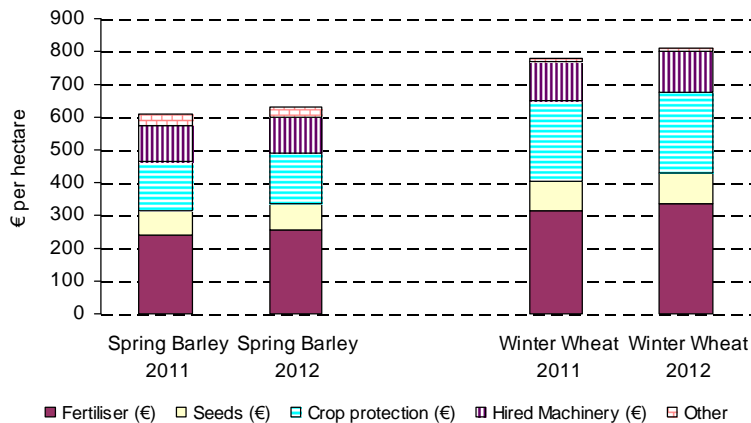
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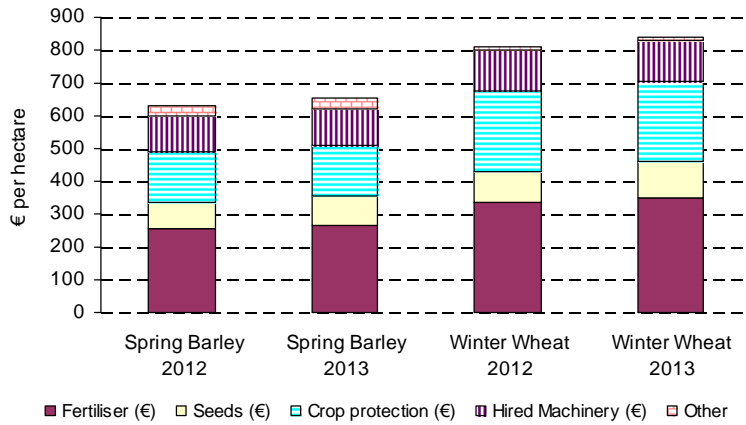
# Costs of Production

- 2011 Teagasc NFS data
- 2012 – Input expenditure estimates
  - Seeds ~ up 7%
  - Fertiliser ~ up 7%
  - Energy & Contractors ~ up 10%
  - Crop protection ~ no change
  - Other Ag inputs ~ up 1%
- 2013 – Input Expenditure Forecast
  - Seeds ~ up 10%
  - Fertiliser ~ up 5%
  - Energy & Contractors ~ unchanged
  - Crop protection ~ unchanged
  - Other Ag Inputs ~ up 1%

## Direct Costs Spring Barley and Winter Wheat: 2012 Estimates



## Direct Costs Spring Barley and Winter Wheat: 2013 Estimates

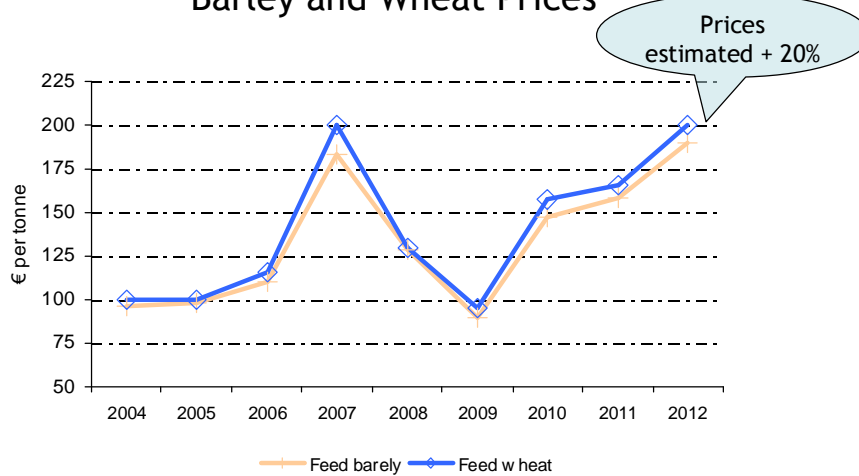


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## Gross Output

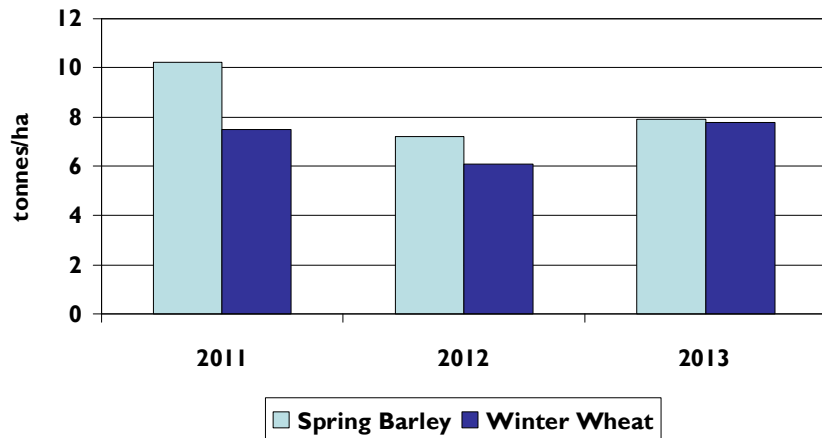
### Barley and Wheat Prices



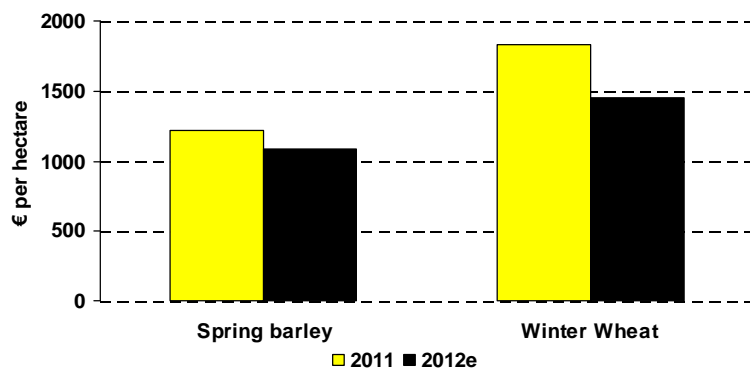
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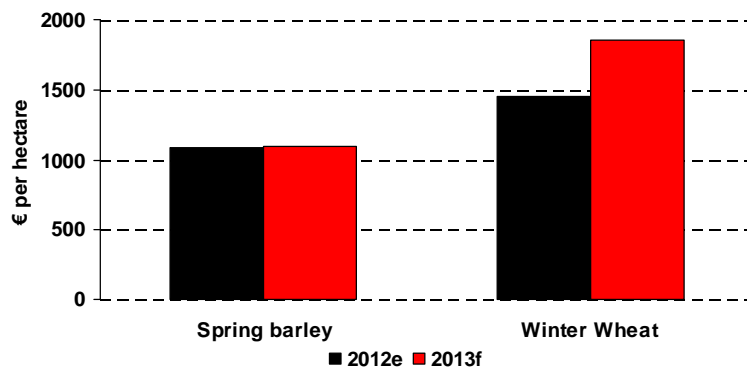
## Winter Wheat and Spring Barley Yields: Estimates and Forecasts



## Gross Output 2012: Spring Barley and Winter Wheat



## Gross Output 2013: Spring Barley and Winter Wheat



## Conclusions

- Very poor harvest 2012 output impact offset somewhat by higher prices
- Relative stable direct costs of production for 2012 and 2013
- Price outlook for 2013 as ever is very uncertain we are forecasting that barley prices in 2013 will fall 10% and that Wheat prices will be stable at 2012 levels
- Return to three year average yields should lead to growth in output value for Winter Wheat and a marginal reduction in output value per hectare for spring barley

# Cattle and Sheep

- Decoupled payments are not part of enterprise gross output
- Coupled payments are part of enterprise gross output
  - Suckler Cow Welfare scheme
  - Sheep Grassland Scheme
- In forecasts changes as announced in Budget 2013 have been incorporated in so far as possible
- Beef enterprises are particularly heterogeneous – here we focus on dominant cattle rearing and cattle finishing enterprises
- Sheep enterprise analysed is the dominant lowland enterprise



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# Cattle and Sheep enterprises

Total Production Costs  
2011, 2012 and 2013

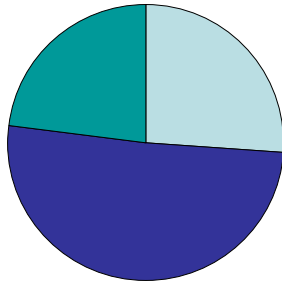


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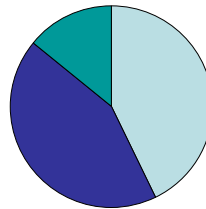


## Enterprise Direct Costs of Production

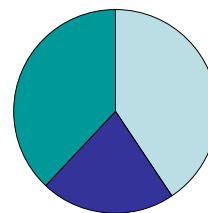
Single Suckling



Cattle Finishing



Mid-season Lowland Lamb



- Concentrates
- Pasture and Forage Costs
- Other Direct Costs



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## Costs of Production 2012 Cattle and Sheep Enterprises

- **Purchased feed (concentrates)**
  - Both prices and volumes higher in 2012, expenditure up close to 20% on cattle and sheep enterprises
- **Pasture and forage**
  - Increases in fertiliser prices and contracting costs in 2012 offset by lower volumes spread – expenditure up 3% to 4%
- **Other direct costs**
  - Small increase in price (1%)
- **Energy and fuel**
  - 9% increase in price and no change in use
- **Labour**
  - 1% increase
- **Other Overhead costs**
  - 1% increase estimated for 2012

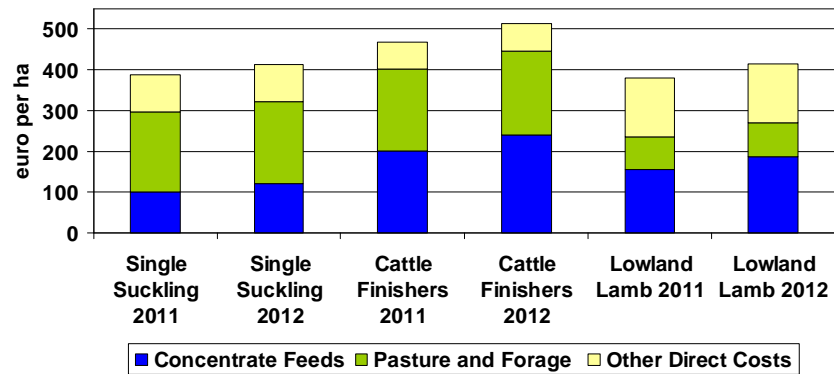


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## Enterprise Direct Costs of Production 2011 and 2012



Source: 2011 Teagasc NFS, 2012 Estimate



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## Costs of Production 2013 Cattle and Sheep Enterprises

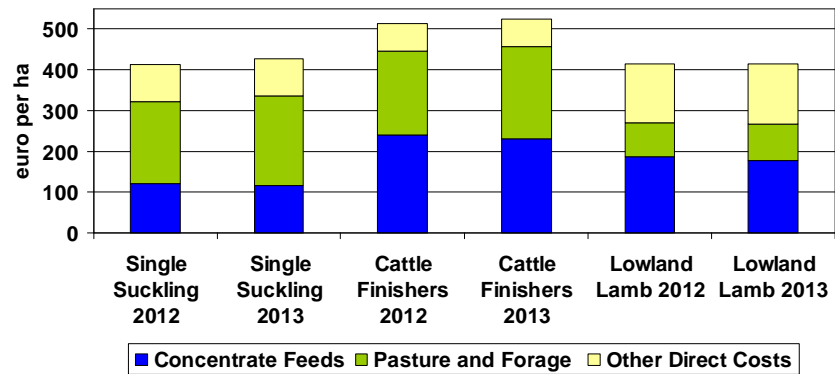
- **Purchased feed (concentrates)**
  - Prices higher in 2013 (+7%) but lower use
  - expenditure 4% to 5% lower on cattle and sheep enterprises
- **Pasture and forage**
  - Increases in fertiliser prices & volumes used partially offset by stable contracting costs in 2013 – expenditure up 9%
- **Other direct costs**
  - Small increase in price forecast
- **Energy and fuel**
- **Labour**
  - 1% increase
- **Other Overhead costs**
  - 1% increase estimated for 2013



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## Enterprise Direct Costs of Production 2012 and 2013



Source: 2011 Teagasc NFS, 2012 Estimate

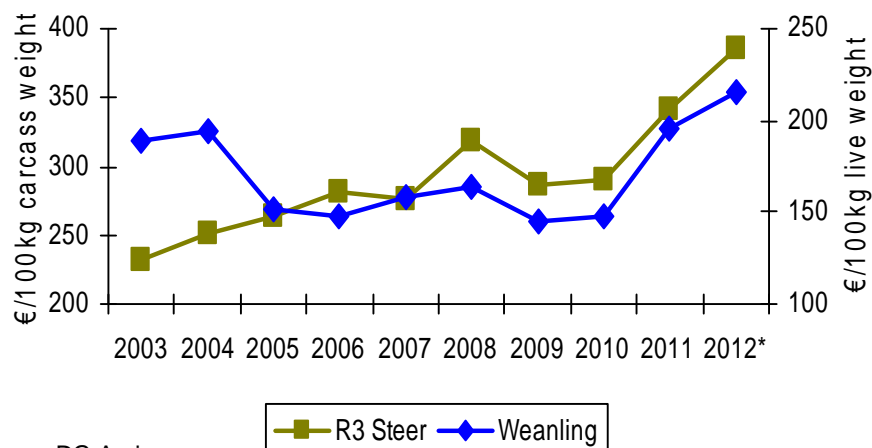
## Gross Output 2011, 2012 and 2013

## Cattle and Sheep Prices 2012 and 2013

- Contrasting market price developments in EU sheep and cattle markets
- 2012 Cattle prices up strongly on 2011 prices at all points in the cattle supply chain
- Finished cattle, weanling and store prices all up over 10% year on year
  - Timing of sales important as YoY differential has narrowed through year
- Lamb prices on average 5% lower in 2012 than in 2011
  - March – June prices especially

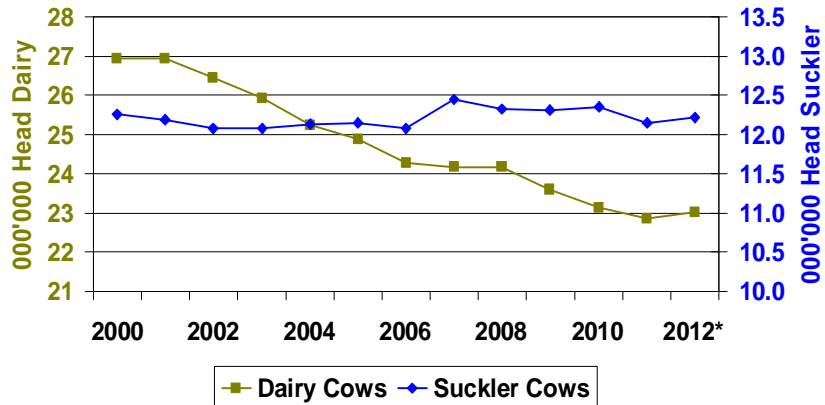
## Cattle Prices

EU beef supply contracting more than domestic use in 2012 driving up EU prices  
Supported by supply shortage on international beef market keeping prices high



Source: DG Agri

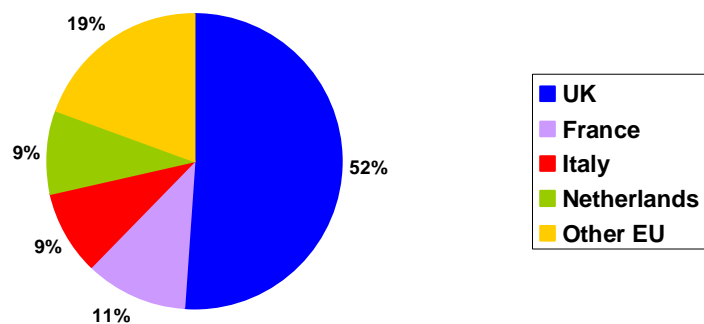
## EU Cow Numbers



Source: Eurostat, 2012\* FAPRI-Ireland



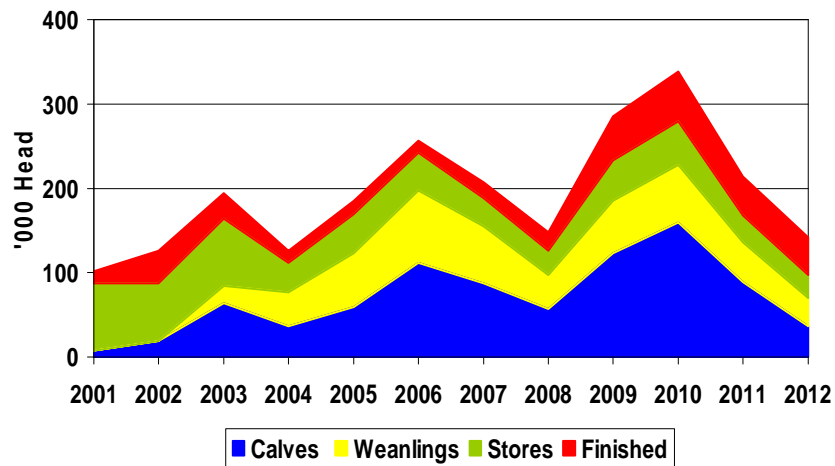
## Irish Beef Exports to the EU 2012



Source: Eurostat



## Irish Live Cattle Exports



Source: Bord Bia



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## Cattle Prices 2011 and 2012

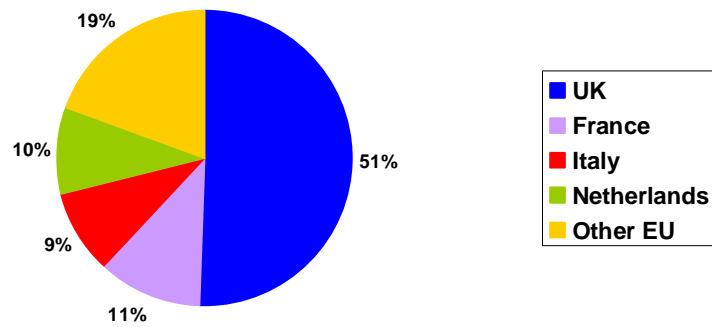
- 2011 has seen a considerable increase in Irish cattle prices
- Supply Factors
  - Tightening cattle supplies within Ireland
  - Declining cow numbers within the EU
- Demand Factors
  - Strong demand for beef globally in 2011
  - Increased EU exports to third countries



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## Irish Beef Exports to the EU 2012



Source: Eurostat



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## Cattle Prices Outlook 2013

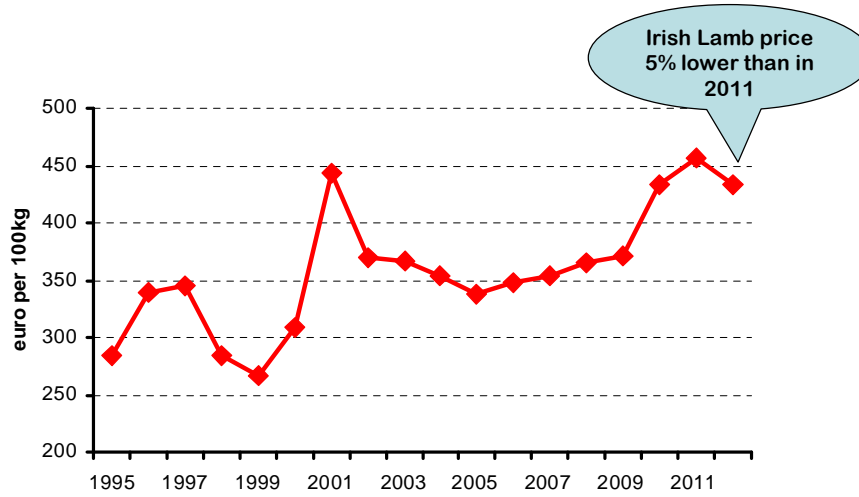
- Ongoing EU supply contraction forecast to be matched by contraction in demand due to eurozone and UK recession
  - Even weaker demand would lead to falling prices
- Cattle prices forecast to remain stable at 2012 levels
- Import barriers and improved world prices restrict inflow of beef from S America
- EU macroeconomic problems major threat to beef demand and beef prices in 2013



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## Irish Lamb Price, 1995 – 2012



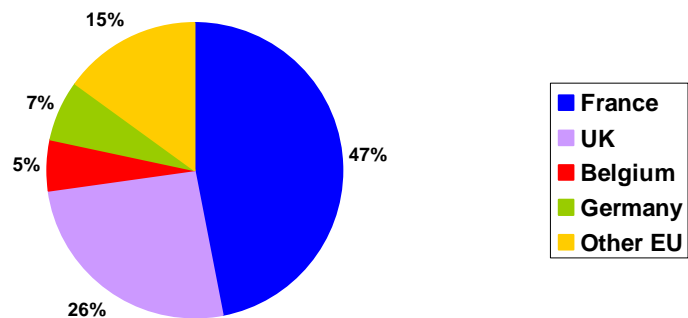
Source: DG AGRI & Bord Bia



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## Volume of Irish Lamb Exports 2012



Source: Eurostat



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## Sheep Price Outlook

- Relatively high prices and falling incomes still leading EU demand to contract
  - Some evidence Irish demand grew in 2012
- In 2013 simultaneous falls in EU supply & demand expected to more in balance
- Imports from NZ not expected to recover strongly despite growing NZ exports
  - Growth in China and reorientation towards Asia
- EU and Irish sheep prices forecast to be stable at close to 2012 price levels
- Macroeconomic downturn in Eurozone and UK major risk factor for 2013



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## Policy Changes

- National policy as it relates to the cattle and sheep sectors modified as a result of Budget 2013
- Coupled supports to farmers farming suckler cows and sheep reduced for 2013
- Effective subsidy per cow estimated to have reduced by 50% and subsidy per ewe by 22%
- In context of stable output price forecast causes some reduction in gross output per hectare



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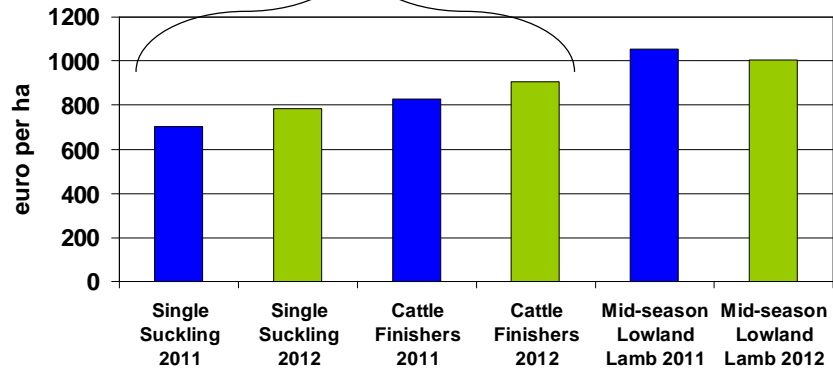




# Gross Output by System

Cattle Price improvements outweigh input costs inflation to return estimated improvement in gross output

Lower lamb prices and increasing costs Reduce margins

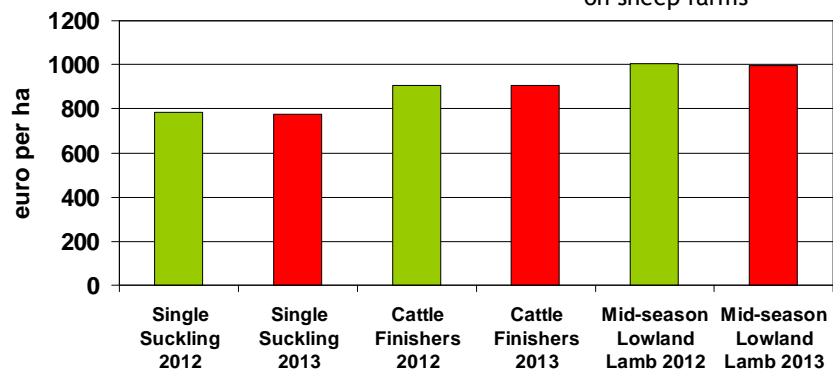


Source: 2011 NFS, 2012 Estimate

# Gross Output by System

Stable Prices leave gross output largely unchanged Value per cow of Suckler Cow Payment reduces Single Suckling Gross output

Reduced Sheep Grassland payment reduces output on sheep farms



Source: 2012 Estimate, 2013 Forecast

## Conclusions

- Strong increase in Feed costs in 2012 on Cattle and Sheep enterprises
- Contrasting output price and gross output in 2012
  - Cattle strong growth while Lamb prices fell
- Cost of production outlook for 2013 stable
- 2013 price outlook for cattle and sheep is stable
  - Major threat of weaker demand due to chance of deeper UK and eurozone recessions



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